

[Shri Mulka Govinda Reddy.]
election law. These are things which have got to be gone into, and it is necessary that the Election Commission should be clothed with the necessary powers. Therefore it is necessary that a comprehensive legislation, in consultation with the other political parties should be brought forward before this House.

SHRI JAGANATH RAO: I have already stated that the Government is considering the various amendments that may be required for the election law. I am not agreeable to the suggestion of the hon. Member that a committee of Members of Parliament should be appointed. There is no need for such a committee and, as and when necessary, the Government will always bring forward the necessary amendments.

THE DEPUTY CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted.

SUPPLEMENTARY STATEMENT ON FLOODS

THE DEPUTY MINISTER IN THE MINISTRY OF IRRIGATION AND POWER (SHRI S. D. MISRA): Madam Deputy Chairman, on behalf of Dr. K. L. Rao, I beg to lay on the Table a supplementary statement on the floods in the country. [See Appendix XLIX, Annexure No. :6B.]

HALF-AN-HOUR DISCUSSION RE LOANS TO TISCO AND IISCO

SHRI M. P. BHARGAVA (Uttar Pradesh): Madam, I propose that since we have finished the business for the day, the half-an-hour discussion be taken up now.

THE DEPUTY CHAIRMAN: All right, Mr. Bhupesh Gupta.

SHRI BHUPESH GUPTA (West Bengal): Madam Deputy Chairman, this is a discussion with regard to the loans that have been advanced by the Government to the Tata Iron and Steel Company and the Indian Iron and Steel Company. The Government owes an explanation why the money has not been recovered and not even the interest on the loans advanced a decade ago. Under an agreement in 1953, a sum of Rs. 10 crores was advanced to the Indian Iron and Steel Company, and then again in 1955 under a special agreement another sum of Rs. 18,26,470 was advanced to the same company, i.e. The Indian Iron and Steel Company. In 1954 under a special agreement, a sum of Rs. 10 crores was advanced to the Tata Iron and Steel Company. The purpose of this accommodation by the Government with such heavy advances was to enable them to raise resources from their internal sources for expansion of steel production in the country. And what is more important in this connection is that the Government guaranteed the World Bank Loans made to both these companies and also at the same time waived its own claim as the first mortgagee in favour of the World Bank. The World Bank became the first mortgagee in respect of the loans to these two concerns. This roughly is the position.

I shall presently deal with the terms of the agreements. I need not go into the details of these agreements, but only one or two things I shall bring to the notice of this honourable House in order to make the position very clear. The agreements for these two loans did not bear any maturity date. That is to say, it was left open as to when the capital amount that was advanced, should be recovered. With regard to the date for payment of interest and the rate of interest to be charged on these loans, it was agreed that after

July, 1958, the matter should be referred to the Tariff Commission and the Tariff Commission will make the necessary recommendation as to the date from which the interest chargeable on the loans should be operative, and at the same time the Tariff Commission will also say what should be the interest charge. These were the two items.

Now, Madam Deputy Chairman, then we come—to cut short part of the discussion—to a letter to the Tariff Commission by the Deputy Secretary to the Government of India, dated the 22nd May, 1953. In that letter they wrote that they feel, that is to say, the Government feel—

“However, in terms of the Agreement, the question of charging interest from the first day of July 1958 needs immediate consideration as *prima facie* interest should be charged unless there are other reasons to the contrary.”

That is the conclusion of the Government and the reference was made accordingly as early as 1958, on the 22nd May, to be exact.

The matter went to the Tariff Commission and I have got before me the report of the Tariff Commission. When it went to the Tariff Commission, these two companies started creating all kinds of arguments. As for the Tata Iron and Steel Company it seems to have made out before the Tariff Commission in a little memorandum that the interest charge should come into effect from 1959-60 by which time the new units might be expected to achieve normal production. That was the position of the Tata Iron and Steel Company. At the same time the Tatas were prepared to pay roughly 5 per cent interest charge also. When they were asked what was their idea about the interest, this suggestion was made. When it came to the Indian Iron and Steel Company, they assumed a rather

strange attitude. They said this. Now, both these companies said initially that these loans should be treated as advance—payments of retention prices for steel and should be written off against the accumulations in the Steel Equalisation Fund: I make this point very clear in order to impress the point that after having got the loans the first thing they did, when the Tariff Commission was seized of the matter, was to argue before it that these loans should be treated as advance payments of retention prices of steel and should be debited to the Steel Equalisation Fund and should, therefore, be written off.

The Indian Iron and Steel Company, in their note to the Tariff Commission, made this astounding observation. They said that it would be better and more equitable and prudent for the Commission to recommend to the Government to for-go the interest and in due course, write off the advance. That is there on page 2 of the Tariff Commission's Report and you will find it there. This was the position taken by the Indian Iron and Steel Company. That is to say, both the companies took the position that these loans are really not repayable and that they should be written off and the Indian Iron and Steel Company made it abundantly clear as far as their position was concerned.

What was the decision of the Tariff Commission? The Tariff Commission did not accept their argument and I have got before me the Report of the Tariff Commission on “The levy of interest on the special advances to the Tata Iron and Steel Company Ltd. and the Indian Iron and Steel Company Ltd.” This is a very well known document as far as the Ministry is concerned. The Tariff Commission came to the conclusion that the interest charge should be fixed at 5 per cent. That was their conclusion. They pointed out that in fact, these companies were borrowing money from other sources paying much higher rates of interest and in some cases even 7 per cent. Therefore, they

[Shri Bhupesh Gupta.]

kept to more or less, the level of the World Bank's interest charge, and fixed it as 5 per cent. They also pointed out that the interest should be charged from the 1st of July, 1958. Therefore, on these two questions the Tariff Commission made their recommendations as early as 1958. The Tariff Commission also said about the actual recovery, that the actual recovery may be delayed until a decision was taken regarding the retention prices for all the main producers of iron and steel, that is, by the 31st of March, 1960. Now we are in 1964, and up to now nothing has been collected, neither the capital amount nor the interest. I have calculated it. By way of interest charge actually on the basis of the recommendation of the Tariff Commission it is about Rs 6 crores due from the Indian Iron and Steel Company and the Tata Iron and Steel Company, on the aggregate loan of Rs 20 crores at 5 per cent interest. So actually what is due on that account is not merely Rs 20 crores, but Rs 26 crores. This is the position. I am not taking into account the other sum of Rs. 18 lakhs which was advanced as a special loan. The Government has not collected the money. I should like to know why it is so. The Government thought in 1958 that it was a *prima facie* case and, therefore, interest should be charged from the 1st of July 1958, and the Tariff Commission having been asked to go into the question had considered the matter and made the recommendation about the recovery of interest and the date of payment. Yet the Government was not doing anything. They cannot take cover under the fact that the Tariff Commission made certain qualifying recommendations regarding the exact time of payment, because even there four years have passed, even if I take the exact time limit as the 31st March, 1960.

5 P M

THE DEPUTY CHAIRMAN: You have already taken ten minutes

SHRI BHUPESH GUPTA: I will finish in five minutes

I need not give any more arguments. The Tariff Commission has been much too accommodating to them, even this Tariff Commission had to say such a thing. What is the position in regard to their internal finances? The Tariff Commission says that they are in a position to pay. I have taken some pains to find out the reserves and so on. For the year 1964, I have got the reserve of TISCO mentioned under eighteen heads and I should like to read out to you only two heads. General Reserves No 2 shows a balance of Rs. 8,32,20,000. Dividend Reserve showed a balance of Rs 5,26,44,000. Development Rebate Reserves stands at Rs 24,15,56,000. In the case of the Indian Iron and Steel Company you find that the General Reserve stands at Rs 18,08,46,000. General Development Reserve at Rs 11,30,09,000. There are thirteen items of reserve so far as the year 1964 is concerned. This shows the excellent financial condition of the company. As far as profits are concerned, TISCO made a profit before taxation of Rs 16,47,12,000 in 1964. The profits made by IISCO for 1964 stood at Rs 11,51,22,000. For the earlier period, before the loan was obtained the profit was much less, expansion takes place profits have been made and reserve funds swell between 1961 and 1964, in the case of the IISCO from Rs 7 crores to Rs 11 crores and in the case of TISCO from Rs 5 crores to Rs 16½ crores. These figures are taken from the company papers and balance sheet. The financial position is very very sound from every point of view. They are holding the country to ransom. They would not pay the money because they have got influence with this Government and this Government is not doing anything. I should like to know whether any paper was prepared for consideration by the Cabinet between 1960 and 1964 so that the whole matter could be gone into. My information is that nothing was done. The World Bank comes into the picture and tells

this Government that it should not charge this money. There is constant pressure not to realise this money on the ground that it is related somehow or the other with the retention price and that it should be more or less written off against accumulations in the Equalisation Fund. That position theoretically they have not yet given up, and they are trying to take advantage of further expansion schemes and so on in order to pressurise the Government into surrendering this money. We need still more steel and we are interested in expansion . . .

THE DEPUTY CHAIRMAN: You will have to wind up. You have taken fifteen minutes. The Minister must have enough time to reply.

SHRI BHUPESH GUPTA: Just two minutes.

At the time when we were in the middle of the First Five Year Plan, with the prospect of the Second Five Year Plan, they took advantage of the situation in order to get much money from the Government. The two biggest monopoly concerns in the country could easily find money from their internal sources apart from the Government sources. Now, in the context of the developing economy, what they are trying to do is to defer payment since they can compell this Government not to collect this money. This is the line and the World Bank has clearly supported this line and that is what they are afraid. The World Bank has told them, "If you charge this money from them, it may not be possible for us to make funds available, credit available from the Dollar account or any other account". This is the position. This kind of report appeared in newspapers, in "The Hindu" and others. Macam Deputy Chairman, I charge this Government—this is my final utterance here on this subject in this debate—I charge this Government in this matter of accommodating the multi-millionaire Tata Iron and Steel Company and the Indian Iron and Steel

Company, in short Mr. Tata and Mr. Biren Mookerjee, when they are in a position to pay when out of the funds taken from the exchequer they had made enormous profits and had built up huge, staggering reserves. They are in a position to pay and every accountant working there knows that they are in a position to pay but this Government, time and again, when raise this question, says that the money would be collected. Mr. Swaran Singh said in the House and later on Mr. Subramaniam said that the interest charges would be collected but nothing had been done so far, till 1964, till this date. I should like an explanation from the Government. This Government shows too much of generosity to the multi-millionaire people, it goes out of its own way, it goes out of its own commitments, out of the agreement made in order to accommodate these people but when it comes to the question of the workers and other sections, even the poor businessmen, nothing is done for them. I would, therefore, try to impress upon this Government one fact; this is no party interest at all and hon. Members will kindly understand . . .

THE DEPUTY CHAIRMAN: You must give some time to the Minister for reply.

SHRI BHUPESH GUPTA: There is nothing in party interests. Madam Deputy Chairman, it is in the public interest. At a time when we must be vigilant about how the Government is managing its economic affairs, there is no reason why we should not demand and the capital. If they do not pay, let us by law take equity shares against capital and the interest which has come to twenty-six crores of rupees. Let us compel them to issue equity capital, share capital, in the name of the President of India. That is how we should serve our interests and I think steel production will not in the least be affected and we should be in a position to recover what is due to us and

[Shri Bhupesh Gupta]
which has been outstanding for all these years because of the negligence and because of this attitude of the Government

THE DEPUTY CHAIRMAN Yes
Mr Ghani

SHRI AKBAR ALI KHAN (Andhra Pradesh): I want one clarification, Madam

THE DEPUTY CHAIRMAN No, you cannot speak. Only those who have given their names beforehand can put questions in this case Mr Ghani, you can only put a question

شری عبدالغنی (پنجاب): کہا

وزیر صاحب بالائیں گے کہ یہ کروڑوں روپے ان کو برابر دیے گئے ہیں اور لئے نہیں گئے ہیں نہ اس کی وجہ یہ ہے کہ سرکار اور سرکاری نمائندے ان کمپنیز سے طرح طرح کا فائدہ اٹھاتے ہیں اور اس میں اپنے عزیزوں کو نوکر رکھوایا ہوا ہے - کسی کو مرشدیہ بیگز کا کوٹہ دلوا یا ہے اور کسی اپنے عزیز کو اینگرو کا کوٹہ دلوا یا ہے اور اسی وجہ سے گورنمنٹ ان سے کسی طرح کا مطالبہ نہیں کرتی ہے - ملک کا جو روپیہ نیک کاموں میں خرچ ہونا چاہئے اس کا وہ کوئی ایسا نہیں کرتی ہے -

†[श्री अब्दुल गनी (पंजाब) क्या वजीर साहब वतलायेगे कि यह जो करोड़ों रुपये उनको बराबर दिये गये है और लिए नहीं गये है तो इसकी वजह यह है कि सरकार और सरकारी नुमाइन्दे इन कम्पनियों में तरह तरह का फायदा उठाते हैं और इस में अपने अजीजों को नौकर रखवाया हुआ है किसी को मरसीडीज बेंज का कोटा दिलवाया है और किसी अपने अजीज को एगो का कोटा दिलवाया है और इसी वजह से गवर्नमेंट उन से किसी तरह का मतलब नहीं करती

†[] Hindi transliteration

है। पब्लिक का जो रुपया नेक कामों में खर्च होना चाहिए इसका वह कोई उपाय नहीं करती है।]

THE MINISTER OF STEEL AND MINES (SHRI N SANJIVA REDDY)
Madam,

SHRI BHUPESH GUPTA Madam I forgot to say one thing Mr Biren Mukherji paid Rs 3 lakhs to the Congress election fund

SHRI N SANJIVA REDDY Mr Bhupesh Gupta has stated the position fairly correctly About the position as stated by him, there is no dispute Loans were given both to TISCO and IISCO between the years 1953 and 1955 but it is not as if there are no conditions attached and that the Government can collect the money arbitrarily When the loan was given certain conditions were also accepted by both the parties the Government and the companies which took the loan from the Government The conditions as was stated by Mr Bhupesh Gupta are very well known to everybody Unless the Government gives them a special element over the retention prices they say it will be difficult for them to repay the loan

SHRI BHUPESH GUPTA You accepted it

SHRI N SANJIVA REDDY It is a condition which has been accepted not today but on the day when the loan was given Therefore we will have to fulfil the conditions before we can take the money from them

SHRI K DAMODARAN (Kerala) Was there some written agreement?

SHRI N SANJIVA REDDY Yes

SHRI BHUPESH GUPTA Where is it?

SHRI N SANJIVA REDDY The loan was given and the agreement

was there and it was only under the agreement that the case was referred to the Tariff Commission in the year 1960-61. It is not as though a new agreement is being drafted now; it is over ten years old.

SHRI AKBAR ALI KHAN (Andhra Pradesh): What is the condition regarding interest? —

SHRI N. SANJIVA REDDY: The rate of interest was not specifically mentioned.

THE DEPUTY CHAIRMAN: I do not think there should be interruption in a Half-an-hour Discussion. The Minister should give his full reply.

SHRI N. SANJIVA REDDY: The interest was to be fixed in consultation with the Tariff Commission and naturally as it was in the agreement it was referred to the Tariff Commission and the Tariff Commission has recommended that five per cent shall be the interest from that particular year. But the mode of collection is the most important thing. When the loan was given the rate of interest was not fixed, the date of repayment was not fixed. There was absolutely nothing firm about it. It was a loan to be recovered no doubt but under certain circumstances. As laid down in the Agreement the matter was referred to the Tariff Commission. The Tariff Commission assured the special element over the retention price. Naturally a little extra was to be given to them and from the amount that they would realise out of that special element the loan and interest would be recovered. Meanwhile unfortunately—or fortunately I would say—the control over some of the steel products has been lifted. If there was control we could fix the retention price and also the special element. In view of partial decontrol we have to reassess the whole thing, re-examine the whole thing, and then only ask them to repay the amount in a particular way. This partial decontrol has come into force in March this year. In view of the special circum-

stances the Government has decided to refer the matter back again to the Tariff Commission. When we get the advice of the Tariff Commission we would naturally take steps to realise not only the capital but also the interest. At no stage has the Government contemplated writing off this amount. If after the Tariff Commission's advice there is still difficulty in collecting the amount due, this House has given the powers to Government. That power is there with the Government. If the Government is not otherwise able to collect the amount with the interest we will certainly make use of this power that Parliament has given to the Government. As it stands now, let me assure Mr. Bhupesh Gupta that nobody has put any pressure on the Government. Let us not unnecessarily try to blame either the World Bank or somebody else. I do not think—at least it has not come to my notice—that anybody has said that this loan should not be collected or if it is collected it should be collected in a different way than what we had agreed to when the loan was given to them. Mr. Bhupesh Gupta said that they were in a position to pay and he quoted figures of their profits. Now they are in a position to pay if they do not think of expansion. It is not as though the company is so poor or in such a bad condition as not to be in a position to pay at all. But we are thinking of steel expansion in this country in the public sector projects and it is our ambition to reach high targets in steel production and naturally we would like to take the assistance of the private sector also in reaching our objective. If we want them to secure the assistance not only of the World Bank but of others also for further expansion—to produce a million more tons if possible—then naturally we cannot say . . .

SHRI BHUPESH GUPTA: That is my fear; that will be the pretext.

SHRI N. SANJIVA REDDY: If that is his fear, we cannot help it. When we are expanding the public sector

[Shri N. Sanjiva Reddy.]
projects we would also want the private . . .

SHRI BHUPESH GUPTA: But you will write off.

SHRI N. SANJIVA REDDY: There is no question of writing off. At no stage have I mentioned about writing off nor would the Government consider such a step. To the extent I know, let me assure this House, Madam, through you, that there is absolutely no intention, no proposal before the Government from any quarter, the World Bank or even the companies even though the companies may desire it. Naturally they would say this is an amount which is given to us—as Mr. Bhupesh Gupta himself mentioned—from the Steel Equalisation Fund. It is true but this amount was given as loan and it was accepted as a loan and the principle of repayment had also been accepted. Therefore there is no doubt or suspicion about it, and I am sure the negotiations which are going on between the Government of India and both the companies would materialise and they would take steps to pay the amount. Naturally, Madam, the Tariff Commission comes into the picture and we will have to consult them. I would like to take their advice and then only take steps to collect the amount. Let me again assure this House and Mr. Bhupesh Gupta in particular that there is no proposal before the Government—nor would they desire to take up any such proposal—to write off this amount or the interest. They would try to collect

the amount but the conditions are there and they have to be fulfilled. After all these conditions had been accepted by both the parties and they must be fulfilled; the method of collection, the procedure, the way of approach must be settled before we take any other step. Madam, I have nothing more to add.

MESSAGE FROM LOK SABHA

THE DIRECT TAXES (AMENDMENT) BILL, 1964.

SECRETARY: Madam, I have to report to the House the following message received from the Lok Sabha, signed by the Secretary of the Lok Sabha:—

“In accordance with the provisions of Rule 96 of the Rules of Procedure and Conduct of Business in Lok Sabha, I am directed to enclose herewith a copy of the Direct Taxes (Amendment) Bill, 1964, as passed by Lok Sabha at its sitting held on the 29th September, 1964.

The Speaker has certified that this Bill is a Money Bill within the meaning of article 110 of the Constitution of India.”

I lay the Bill on the Table.

THE DEPUTY CHAIRMAN: The House stands adjourned till 11.00 A.M. tomorrow.

The House then adjourned at eighteen minutes past five of the clock till eleven of the clock on Wednesday, the 30th September, 1964.